

SERFF Tracking Number: AGNY-125606356 State: District of Columbia
Filing Company: National Union Fire Insurance Company of Pittsburgh, Pa. State Tracking Number:
Company Tracking Number: AIC-08-EO-05
TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0029 Other
Made/Occurrence
Product Name: Neurologists Professional Liability Insurance Program - 018300000750
Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Filing at a Glance

Company: National Union Fire Insurance Company of Pittsburgh, Pa.

Product Name: Neurologists Professional Liability Insurance Program - 018300000750 SERFF Tr Num: AGNY-125606356 State: District of Columbia

TOI: 11.0 Medical Malpractice - Claims SERFF Status: Closed-APPROVED State Tr Num:

Made/Occurrence

Sub-TOI: 11.0029 Other

Filing Type: Rate/Rule

Co Tr Num: AIC-08-EO-05

State Status:

Reviewer(s): Robert Nkojo

Author: Myron Harry

Disposition Date: 06/11/2008

Date Submitted: 04/14/2008

Disposition Status: APPROVED

Effective Date Requested (New): 06/15/2008

Effective Date (New):

Effective Date Requested (Renewal): 06/15/2008

Effective Date (Renewal):

State Filing Description:

General Information

Project Name: Neurologists Professional Liability Insurance Program

Status of Filing in Domicile: Pending

Project Number: AIC-08-EO-05

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 06/11/2008

State Status Changed:

Deemer Date:

Created By: Myron Harry

Submitted By: Myron Harry

Corresponding Filing Tracking Number:

Filing Description:

The above-referenced company submits for your review and approval its Neurologists Professional Liability Insurance Program.

Please refer to the attached actuarial materials for information about the rates and rules, included in this submission.

Please note that the forms for this Program are being submitted under separate cover.

SERFF Tracking Number: AGNY-125606356 State: District of Columbia
Filing Company: National Union Fire Insurance Company of State Tracking Number:
Pittsburgh, Pa.
Company Tracking Number: AIC-08-EO-05
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Product Name: Neurologists Professional Liability Insurance Program - 018300000750
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Company and Contact

Filing Contact Information

Myron Harry, myron.harry@aig.com
175 Water Street - 17th Floor 212-458-7057 [Phone]
New York, NY 10038 212-458-7077 [FAX]

Filing Company Information

National Union Fire Insurance Company of CoCode: 19445 State of Domicile: Pennsylvania
Pittsburgh, Pa.
70 Pine Street Group Code:
New York, NY 10270 Group Name: Company Type:
(212) 770-7000 ext. [Phone] FEIN Number: 25-0687550 State ID Number:

Filing Fees

Fee Required? No
Retaliatory? No
Fee Explanation:
Per Company: No

SERFF Tracking Number: *AGNY-125606356* *State:* *District of Columbia*
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Product Name: *Neurologists Professional Liability Insurance Program - 018300000750*
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
APPROVED	Robert Nkojo	06/11/2008	06/11/2008

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Company Tracking Number: AIC-08-EO-05

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Product Name: Neurologists Professional Liability Insurance Program - 018300000750

Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Disposition

Disposition Date: 06/11/2008

Effective Date (New):

Effective Date (Renewal):

Status: APPROVED

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
National Union Fire Insurance Company of Pittsburgh, Pa.	0.000%	0.000%	\$0		\$	%	%
Percent Change Approved:							
	Minimum:	%	Maximum:	%	Weighted Average:		%

SERFF Tracking Number: AGNY-125606356 State: District of Columbia

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Company Tracking Number: AIC-08-EO-05

TOI: 11.0 Medical Malpractice - Claims Sub-TOI: 11.0029 Other
Made/Occurrence

Product Name: Neurologists Professional Liability Insurance Program - 018300000750

Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Cover Letter All Filings		No
Supporting Document	Consulting Authorization		No
Supporting Document	Actuarial Certification (P&C)		No
Supporting Document	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)		No
Supporting Document	District of Columbia and Countrywide Loss Ratio Analysis (P&C)		No
Supporting Document	Schedule of Rates or Methodology (P&C)		No
Supporting Document	Manual Rules		No
Rate	Rate Page		No

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Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type:

%

Overall Percentage of Last Rate Revision:

%

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

New Program

Company Rate Information

Company Name:	Company Rate Change:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where required):	Minimum % Change (where required):
National Union Fire Insurance Company of Pittsburgh, Pa.	N/A	0.000%	0.000%	\$0			%	%

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Rate/Rule Schedule

Schedule Item	Exhibit Name:	Rule # or Page	Rate Action	Previous State Filing Attachments
Status:		#:		Number:
	Rate Page	Rate Page 1	New	4-08 DC Rate Page.pdf

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NEUROLOGISTS PROFESSIONAL LIABILITY INSURANCE PROGRAM
DISTRICT OF COLUMBIA**

I. Base Rate:

Base rate is per neurologists for \$1,000,000/\$3,000,000 of Mature Claims Made coverage with Pre-Paid Tail Coverage.

Class 1	Class 2
Neurology including Child - No Surgery	Neurology including Child - Minor Surgery
(80261)	(80288)
<hr/> \$24,010	<hr/> \$30,402

II. Increased Limits Factors:

Apply the applicable increased limits factor to the base rate.

<u>Limit of Liability</u>	<u>ILF</u>
\$100,000/\$300,000	0.673
\$200,000/\$600,000	0.746
\$250,000/\$750,000	0.772
\$300,000/\$900,000	0.797
\$400,000/\$1,200,000	0.847
\$500,000/\$1,500,000	0.946
\$1,000,000/\$3,000,000	1.000
\$2,000,000/\$6,000,000	1.280

III. Claims-Made Step Factor (% of Claims-Made w/ pre-paid tail premium):

Number of years Claim-Made coverage.	
First Year	0.55
Second Year	0.70
Third Year	0.85
Fourth Year	0.95
Fifth Year and Thereafter	1.00

IV. Extended Reporting Claims Endorsement:

% of mature Claims-Made Premium.	
First Year	0.65
Second Year	1.15
Third Year	1.50
Fourth Year	1.70
Fifth Year and Thereafter	1.85

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Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Supporting Document Schedules

	Item Status:	Status Date:
Satisfied - Item: Cover Letter All Filings		
Comments: Attached please find a Cover Letter.		
Attachment: 4-08 Cover Letter - Rates.pdf		

	Item Status:	Status Date:
Bypassed - Item: Consulting Authorization		
Bypass Reason: N/A		
Comments:		

	Item Status:	Status Date:
Satisfied - Item: Actuarial Certification (P&C)		
Comments: Attached please find an Explanatory Memorandum.		
Attachment: 4-08 DC Explanatory Memo.pdf		

	Item Status:	Status Date:
Satisfied - Item: District of Columbia and Countrywide Experience for the Last 5 Years (P&C)		
Comments: Attached please find Actuarial Exhibits.		
Attachment: 4-08 DC Actuarial Exhs.pdf		

SERFF Tracking Number: AGNY-125606356 State: District of Columbia
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Product Name: Neurologists Professional Liability Insurance Program - 018300000750
Project Name/Number: Neurologists Professional Liability Insurance Program/AIC-08-EO-05

Item Status:

**Status
Date:**

Bypassed - Item: District of Columbia and
Countrywide Loss Ratio Analysis
(P&C)
Bypass Reason: Included with Actuarial Exhibits
Comments:

Item Status:

**Status
Date:**

Bypassed - Item: Schedule of Rates or Methodology
(P&C)
Bypass Reason: Included with Actuarial Exhibits
Comments:

Item Status:

**Status
Date:**

Satisfied - Item: Manual Rules
Comments:
Attached please find Manual Rules.
Attachment:
4-08 Manual Rules.pdf



American International Companies®

DBG Legal Services
State Filings Department
175 Water Street, 17th Floor
New York, NY 10038

April 14, 2008

Honorable Thomas E. Hampton
Commissioner
Dept. of Insurance, Securities and Banking (DISB)
810 First Street N.E. – Suite 701
Washington, D.C. 20002-4227
Attn: Mr. Clark Simcock

RE: NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NAIC #012-19445 FEIN #25-0687550
Neurologists Professional Liability Insurance Program
Rate Page
Manual Rules
Our Filing No.: AIC-08-EO-05

Dear Mr. Simcock:

The above-referenced company submits for your review and approval its Neurologists Professional Liability Insurance Program (the "Program").

Please refer to the attached actuarial materials for information about the rates and rules, included in this submission.

Please note that the forms for this Program are being submitted under separate cover.

We wish to make this filing effective June 15, 2008, or the earliest date permitted by your Department.

Your favorable review and approval are respectfully requested.

Sincerely,

A handwritten signature in black ink that reads "Myron Harry".

Myron Harry
Filings Analyst
State Filings Department
Direct Line: (212) 458-7057
Fax: (212) 458-7077
E-mail: myron.harry@aig.com

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NEUROLOGISTS PROFESSIONAL LIABILITY INSURANCE PROGRAM**

**Explanatory Memorandum
DISTRICT OF COLUMBIA**

National Union Fire Insurance Company of Pittsburgh, Pa. is proposing to offer Medical Malpractice coverage to Neurologists. The proposed mature base rate, class relativities and territorial relativities are the same as those in use by the largest competitor in the state. The proposed increased limits factors, claims made step factors, and extended reporting period factors are the same as those in use by an affiliate program offering similar coverage to Psychiatrists.

EXHIBIT 1: DERIVATION OF BASE RATE

The proposed mature claims made rates for this coverage are based on those in use by NCRIC. The pure premium was extracted from the competitors rate. An offset was applied to the indicated pure premium to account for differences in the competitor's increased limit and step factors and those being proposed for National Union. National Union's proposed expenses were then loaded into the indicated pure premium. The proposed mature claims made rate was judgmentally selected to be the same as the competitor.

EXHIBIT 1B: Claims Made Step Factor/Increased Limit Factor Adjustment

The indicated pure premium has been adjusted due to account for differences in the competitor increased limit and step factors and those proposed for National Union. The weighted average step factor and weighted average increased limit factor differentials are applied to the indicated pure premium (Exhibit 1 (5)).

EXHIBIT 2: EXPENSE PROVISIONS AND DETERMINATION OF EXPECTED LOSS RATIO

Expense provisions are based on the Medical Malpractice expenses found for American Home/ National Union/ New Hampshire Group in the Insurance Expense Exhibit. The commission expense is program specific. The expected loss & lae ratio is the complement of the total expenses and profit load. The profit & contingency factor has been calculated based on a target rate of return on equity of 15%.

EXHIBIT 3: INVESTMENT INCOME EXHIBITS

The investment income exhibits are based on American Home/ National Union/ New Hampshire Group's Annual Statement experience and incorporate the medical malpractice premium and program expense provisions to determine an indicated investment income offset. The calendar year method was used to determine investment income.

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
NEUROLOGISTS PROFESSIONAL LIABILITY INSURANCE PROGRAM
DISTRICT OF COLUMBIA**

DERIVATION OF CLASS 1 MATURE CLAIMS MADE BASE RATE

1)	NCRIC Base Rate		\$24,010
2)	NCRIC Expected Loss & LAE Ratio (Variable Expense)		84.30%
3)	NCRIC Indicated Variable Pure Premium {(1) X (2)}		\$20,240
4)	NCRIC Fixed Expense per policy		\$1,825
5)	Indicated Pure Premium {(3) - (4)}		\$18,415
6)	NUFIC Claims Made Step Factor/Increased Limit Factor Adjustment		1.101
7)	NUFIC's Expected Loss & LAE Ratio		67.19%
	Commission & Brokerage	16.50%	
	Other Acquisitions	4.97%	
	General Expenses	1.81%	
	Taxes, Licenses & Fees	4.52%	
	Profit & Contingencies		
	(reflecting inv. income)	5.00%	
	<u>Total Expenses</u>	<u>32.81%</u>	
8)	NUFIC's Indicated Base Rate {(5) / [(6) x (7)]}		\$24,895
9)	NUFIC's Selected Mature Base Rate		\$24,010

Claims Made Step Factor/Increased Limit Factor Adjustment

NU's Class 1 = NCRIC's Class 1 Limits	Area 1 Year 1				Area 1 Year 2				Area 1 Year 3				Area 1 Year 4				Area 1 Mature				Limits by CW %
	NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		
	NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		
\$100,000/\$300,000	-	8,887	-	-	-	11,311	-	-	-	13,735	-	-	-	15,351	-	-	-	16,159	-	-	0.00%
\$200,000/\$600,000	-	9,851	-	-	-	12,538	-	-	-	15,225	-	-	-	17,016	-	-	-	17,911	-	-	0.00%
\$250,000/\$750,000	4,167	10,195	1.02%	-	7,981	12,975	0.44%	-	10,086	15,755	0.40%	-	13,111	17,609	0.24%	-	14,821	18,536	0.18%	-	0.70%
\$300,000/\$900,000	-	10,525	-	-	-	13,395	-	-	-	16,266	-	-	-	18,179	-	-	-	19,136	-	-	0.00%
\$400,000/\$1,200,000	-	11,185	-	-	-	14,236	-	-	-	17,286	-	-	-	19,320	-	-	-	20,336	-	-	0.00%
\$500,000/\$1,500,000	5,258	12,492	11.59%	-	10,073	15,899	4.87%	-	12,728	19,306	4.35%	-	16,546	21,578	2.56%	-	18,704	22,713	1.81%	-	8.42%
\$1,000,000/\$3,000,000	6,750	13,206	86.91%	-	12,930	16,807	27.25%	-	16,339	20,409	22.63%	-	21,240	22,810	6.72%	-	24,010	24,010	0.00%	-	90.88%
\$2,000,000/\$6,000,000	-	16,903	-	-	-	21,513	-	-	-	26,123	-	-	-	29,196	-	-	-	30,733	-	-	100.00%
WTD Limits and WTD Steps	6.42%				0.00%				0.88%				0.61%				1.66%				9.58%

NU's Class 2 = NCRIC's Class 2 Limits	Area 1 Year 1				Area 1 Year 2				Area 1 Year 3				Area 1 Year 4				Area 1 Mature				Limits by CW %
	NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		NU		(NCRIC/NU-1)*%		
	NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		NCRIC		
\$100,000/\$300,000	-	11,253	-	-	-	14,322	-	-	-	17,391	-	-	-	19,438	-	-	-	20,461	-	-	0.00%
\$200,000/\$600,000	-	12,474	-	-	-	15,876	-	-	-	19,278	-	-	-	21,546	-	-	-	22,680	-	-	0.00%
\$250,000/\$750,000	4,917	12,909	1.14%	-	9,875	16,429	0.47%	-	12,611	19,540	0.41%	-	16,544	22,297	0.24%	-	18,767	23,470	0.18%	-	0.70%
\$300,000/\$900,000	-	13,327	-	-	-	16,961	-	-	-	20,596	-	-	-	23,019	-	-	-	24,230	-	-	0.00%
\$400,000/\$1,200,000	-	14,163	-	-	-	18,025	-	-	-	21,888	-	-	-	24,463	-	-	-	25,750	-	-	0.00%
\$500,000/\$1,500,000	6,205	15,818	13.05%	-	12,463	20,132	5.18%	-	15,915	24,446	4.51%	-	20,878	27,322	2.60%	-	23,684	28,760	1.81%	-	8.42%
\$1,000,000/\$3,000,000	7,965	16,721	99.90%	-	15,998	21,281	30.01%	-	20,430	25,842	24.07%	-	26,801	28,882	7.06%	-	30,402	30,402	0.00%	-	90.88%
\$2,000,000/\$6,000,000	-	21,403	-	-	-	27,240	-	-	-	33,077	-	-	-	36,969	-	-	-	38,915	-	-	100.00%
WTD Limits and WTD Steps	7.36%				0.00%				0.94%				0.64%				1.66%				10.60%

Claims Made Step Factor/Increased Limit Factor Adjustment - 10.09%

Derivation of Expected Loss Ratio

(1) Target rate of return on equity		15.0%
(2) Premium to Surplus Ratio		109.9%
(3) Target rate of return on premium [(1)/(2)]		13.6%
(4) Rate of return on premium		8.6%
(5) Target underwriting profit (loss) [(3)-(4)/.65]		7.8%
(6) Selected underwriting profit (loss)		5.0%
(7) Total Expenses		27.8%
	a. Commissions	16.50%
	b. Other Acquisition	4.97%
	c. General Expenses	1.81%
	d. Taxes, Licenses & Fees	4.52%
<hr/>		
(8) Expected Loss Ratio [1-(7)-(6)]		67.2%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Medical Malpractice

A. UNEARNED PREMIUM RESERVE

1.	Medical Malpractice Direct Earned Premium for Calendar Year 2006		\$73,389
2.	Mean Unearned Premium Reserve $[0.352^* (1)]$ (See Notes p. 2)		25,798
3.	Deduction for Prepaid Expenses (See notes p. 2)		
	a) Commission and Brokerage	16.50%	
	b) Taxes, Licenses and Fees	4.52%	
	c) 50% of Other Acquisition Expenses	2.49%	
	d) 50% of General Expenses	0.90%	
	e) Total	24.42%	
4.	Deduction for Federal Taxes Payable (See Notes p. 2)		7.0%
5.	Net Amount Subject to Investment Income $[(2) \times (1.000 - (3) - (4))]$		17,693

B. DELAYED REMISSION OF PREMIUMS (Agents' Balances)

1.	Direct Earned Premium $[(A.1)]$		73,389
2.	Average Agents' Balance (See Notes pp. 2-3)		0.159
3.	Delayed Remission $[(1) \times (2)]$		11,684

C. LOSS RESERVE:

1.	Direct Earned Premium $[(A.1)]$		73,389
2.	Expected Incurred Loss and L.A.E. Reserves	@ ELR: 0.644	47,226
3.	Expected Mean Loss Reserves $[1.703 \times (2)]$ (See Notes p. 3)		80,436

D. SURPLUS

1.	Direct Written Premium		78,596
2.	Surplus Subject to Investment $[(D.1)/\text{prem to surp}]$		71,515

E. NET AMOUNT SUBJECT TO INVESTMENT: $[(A.5) - (B.3) + (C.3) + (D.2)]$ 157,961F. AVERAGE RATE OF RETURN ON INVESTED ASSETS (See Notes p. 4) 4.56%G. INVESTMENT EARNINGS ON NET SUBJECT TO INVESTMENT $[(E) \times (F)]$ 7,205H. AVERAGE RATE OF RETURN (As % of Direct Earned Premium) $[(G) / (A.1)]$ 9.82%I. AVERAGE RATE OF RETURN (After Federal Income Taxes) $[(H) \times 0.871]$ 8.55%

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Medical Malpractice

Line A.1

Medical Malpractice direct earned premium for calendar year 2006 as provided by American Home/National Union/ New Hampshire Group.

Line A.2

The mean direct unearned premium reserve is determined by multiplying the Medical Malpractice direct earned premium in line (A.1) by the countrywide ratio of the mean direct unearned premium reserve to the direct earned premium for 2006. See below for calculation of this ratio. This ratio is based on data for Medical Malpractice from page 15 of the Annual Statement for American Home/National Union/ New Hampshire Group

	(In 000's)
1. Direct Earned Premium for Calendar Year 2006	\$ 73,389
2. Direct Unearned Premium Reserve as of 12/31/05	23,195
3. Direct Unearned Premium Reserve as of 12/31/06	28,401
4. Mean Direct Unearned Premium Reserve $1/2 [(2) + (3)]$	25,798
5. Ratio $[(4) / (1)]$	0.352

Line A.3

Deduction for prepaid expenses:

Production costs and a large part of the other company expenses in connection with the writing and handling of the filed insurance coverage exclusive of claim adjustment expenses, are incurred when the policy is written and before the premium is paid. Therefore, the deduction for these expenses is determined by use of the provisions for expenses used in our ratemaking procedure as shown.

Line A.4

Deduction for Federal Taxes Payable:

Taxable percentage of unearned premium reserves (Tax Reform Act of 1986):	20.0%
Corporate Tax Rate:	35.0%
Total Percentage of Unearned Premium Reserve:	7.0%

Line B.2

Delayed remission of premium:

This deduction is necessary because of delay in collection and remission of premiums beyond the effective dates of the policies. Funds for the unearned premium reserve required during the initial days of all policies must be taken from the company's surplus. (continued)

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Medical Malpractice

Line B.2 (continued)

Agents' balances or uncollected premiums for premiums due less than 90 days are calculated as follows:

	(In 000's)
1. Net Earned Premium for Calendar Year 2006	\$ 21,215,096
2. Net Agents' Balances as of 12/31/05	2,422,685
3. Net Agents' Balances as of 12/31/06	2,845,895
4. Mean Agents' Balances $1/2 \times [(2) + (3)]$	2,634,290
5. Ratio $[(4) / (1)]$	0.124

The above percentage must be multiplied by a factor of 1.282 to include the effect of agents' balances or uncollected premiums overdue for more than 90 days. The factor 1.282 is based on 2006 company data.

Final adjusted Agents' Balance:

0.1592

Line C.2

The expected loss and loss adjustment ratio reflects the expense provisions used in the filing:

Line C.3

The expected mean loss reserve is determined by multiplying the expected incurred losses in line (C.2) by the average countrywide ratio of the mean loss and loss adjustment reserves to the incurred losses and loss adjustment expenses in 2005 and 2006 for Medical Malpractice Insurance. This ratio is based on Annual Statement Data.

	(In 000's)
1. Incurred Losses and L.A.E. for Calendar Year 2005	31,435
2. Incurred Losses and L.A.E. for Calendar Year 2006	55,453
3. Loss Reserves and L.A.E. as of 12/31/04	46,138
4. Loss Reserves and L.A.E. as of 12/31/05	72,073
5. Loss Reserves and L.A.E. as of 12/31/06	117,166
6. Mean Loss Reserve 2005: $1/2 [(3) + (4)]$	59,105
7. Mean Loss Reserve 2006: $1/2 [(4) + (5)]$	94,620
8. Ratio $(6) / (1)$	1.880
9. Ratio $(7) / (2)$	1.706
10. Average Ratio $1/2 [(8) + (9)]$	1.793
11. Loss reserve for American Home/National Union/ New Hampshire Group, selected	1.790
12. Estimated Reserve Discount	13.9%
13. Federal Taxes Payable (% of Reserves): $(12) \times .35$	0.048
14. $(11) \times [1.0 - (13)]$	1.703

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Medical Malpractice

Line E

The rate of return is the ratio of net investment income earned and net realized capital gains (or losses) to mean cash and invested assets (including interest, dividends, and real estate income due and accrued).

<u>Year</u>	<u>Net Investment Income Earned (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
2005	1,958,547	48,226,323	4.06%
2006	2,207,870	57,914,122	3.81%
Total	4,166,417	106,140,446	3.94%

<u>Year</u>	<u>Realized Capital Gains (or Losses) (In 000's)</u>	<u>Mean Cash and Invested Assets (In 000's)</u>	<u>Rate of Return</u>
1997-2006	2,179,232	348,904,381	0.62%

Total Rate of Return:

Net Investment Income Earned and Net Realized Capital Gains (or Losses)

4.56%

Line H

The average rate of Federal Income Tax was determined by applying the appropriate tax rates to the distribution of investment income earned for 2006 for the American Home/National Union/ New Hampshire Group.

	<u>Rate of Return</u>	<u>Federal Income Tax Rate</u>
Net Investment Income Earned	3.94%	0.094
Net Realized Capital Gains (or Losses)	0.62%	0.350
Total	4.56%	0.129

1.000 - Federal Income Tax Rate

0.871

ESTIMATED INVESTMENT EARNINGS ON UNEARNED
PREMIUM RESERVES AND ON LOSS RESERVES
(Explanatory Notes)

Medical Malpractice

Line H (continued)

	Investment Income Earned	Federal Income Tax Rate
<u>Bonds</u>		
Taxable	\$ 208,168	0.350
<u>Non-Taxable</u>	<u>1,338,765</u>	<u>0.026</u>
Total	\$ 1,546,933	(A) 0.070
<u>Stocks</u>		
Taxable	\$ 168,925	0.123
<u>Non-Taxable</u>	<u>266,967</u>	<u>---</u>
Total	\$ 435,892	(B) 0.048
<u>Mortgage Loans and Real Estate</u>		
Mortgage Loans	\$ 0	
Real Estate	0	
Collateral Loans	0	
Cash on Deposit	0	
Short Term Investments	21,719	
<u>All Other</u>	<u>503,234</u>	
Sub-Total	\$ 524,953	0.350
Total	\$ 2,507,777	0.125
Investment Deductions	\$ 299,907	0.350
Net Investment Income Earned	\$ 2,207,870	0.094

(A) Assume 50% of the income on tax-exempt bonds is subject to proration; that is, 15% of that income is taxed at the full corporate income tax rate of 35%. The applicable tax rate is thus 2.6%. $((.50 \times .15 \times .35) = .026)$

(B) 30% of dividend income is subject to the full corporate income tax rate of 35%. Assume 50% of the dividend income on stocks is subject to proration; that is, 15% of the remaining 70% of dividend income is taxed at a rate of 35%. The applicable tax rate is thus 12% $((.30 \times .35) + (.50 \times .70 \times .15 \times .35) = .123)$.



NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA
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Rule 1.	Rating Profile Items
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The First, Second, and Third Year in Practice credits include military. The discount applies to the first, second, or third year immediately following the completion of residency or fellowship, or discharge from the military, regardless of interruption of time. A member may receive the FYIP, SYIP, TYIP only once.

If both an active part-time credit and an active FYIP, SYIP, TYIP credit are among the rating profile items, the higher credit of the two shall apply.

The Moonlighting credit cannot be combined with a part-time credit.

The current listing of Rating Profile Items (Program discounts, surcharges, credits & debits), is as follows:

First Year in Practice	50%Credit	
Second Year in Practice	25%Credit	
Third Year in Practice	25%Credit	
Moonlighting	50%Credit	
Part-Time Practice	1-10 Hours	50%Credit
	11-15Hours	40%Credit
	16-20Hours	30%Credit
Experience & Schedule Rating Program	See separate sections	
Risk Management Seminar	5%Credit	
American Academy of Neurology Membership	5% Credit	
Loss Free Credit	See separate section	



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Rule 2. Vicarious Liability

The additional premium for vicarious liability coverage is determined as follows:

**VICARIOUS LIABILITY
Additional Premium for Shared Limit
(Policy Coverage A)**

Note: Shared limits not available in: IN, KS, LA, PA, and WI

No. of Employees/Independent Contractors	Percent of final individual modified premium
1-3	5%
4-10	15%
11-25	25%
Over 25	100%

**VICARIOUS LIABILITY
Additional Premium for Separate Limit
(Policy Coverage B)**

No. of Employees/Independent Contractors	Percent of final individual modified premium
0-3	10%
4-10	25%
11-25	50%
Over 25	100%

Rule 3. Premium Rounding

All premiums shall be rounded to the nearest whole dollar. Amounts that are less than 50 cents shall be dropped. Increase amounts that are 50 cents or more to the next whole dollar.

Rounding procedures to be followed are taken from the Insurance Service Office, Inc. rules.



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RATES: Round rates, factors and multipliers after the final calculation to three decimal places. Five-tenths or more of a mill shall be considered one mill, e.g., .1245 = .125

PREMIUM: Round the premium for each coverage for which a separate premium is calculated to the nearest whole dollar. Round a premium involving \$.50 or over the next higher whole dollar.

Rule 4.	Maximum 50% Credit
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Maximum 50% credit (discount) applies subject to the following **exclusions:**

First Year in Practice (FYIP is 60%)
Experience factor is not included
Schedule factor is not included
Risk Management Seminar factor is not included

Rule 5.	Prior Acts Endorsement
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Tail premium calculation process is **EXACTLY** the same process as for Primary Coverage regarding the application of all discounts, surcharges, credits, & debits.

Tail pricing is based off of the Numbers of Years written under a Claims Made contract.

FREE TAIL COVERAGE

Tail coverage is free in the event of DEATH or PERMANENT DISABILITY, or when a member reaches age 55 or older and has been insured under a Claims-Made contract with the insurer for at least 5 consecutive years immediately prior to permanent retirement.

Rule 6.	Experience and Schedule Rating Guidelines
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The following Experience Rating Guidelines applies:

Severity –

(Use last five-year experience period prior to renewal application)

Indemnity payment \$30,000 to \$50,000	10% per claim
Indemnity payment \$50,001 to \$99,999	20% per claim
Open or closed claim with Indemnity payment or reserve \$100,000 or more	30% per claim plus 10% each \$50,000 increment above \$100,000



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Frequency (Open and Closed claims with incurred and/or reserved indemnity and expenses totaling \$10,000 and above).

Two claims reported within any 12-month period in last three years.

25% each claim

Three claims reported within last five years.

50% each claim

Liability (Open and closed claims within last 5 years)

- a. Deviation from standard of care
- b. Non-cooperation with policy conditions
- c. Undue familiarity
 - Insured admission
 - Settlement by carrier and/or insured

50%-non-renewal

50%-non-renewal

non-renewal

non-renewal

Schedule rating characteristics

The following schedule rating criteria can be used to establish the adjusted annual premium per participant:

Refer to the following, which discusses the underwriting intention for considering risk characteristics not otherwise contemplated in the base rate.

The rating schedule is intended to create an overall risk profile of the insured. Multiple characteristics should be weighted and evaluated based on measurable statistics, (i.e. practice time, number of patients, length of training or experience or lack thereof, etc). This program is mandatory and to be administered consistently with each insured or prospective insured.

Adjustment to base rate of +/-25% requires management approval except where indicated below.

A. PRACTICE SETTING:

Facility has been subject to license or accreditation disciplinary action or federal investigation or prosecution, mass tort litigation or investigative reporting. If an insured is affiliated with a facility that has recently been subject to any of these issues it is probable that the insured may have an increased liability. The effect of patient knowledge of these actions and media attention could place our insured in a position to be "guilty by association".



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The underwriter should utilize all reference information relative to this facility and determine the degree of involvement of our insured directly related to the facility's adverse risk characteristics.

B. NATURE AND SCOPE OF PRACTICE

Treatment of pain management: Patients seeking professional services for the management of pain are almost always associated with other medical treatments or illnesses. For this reason, treatment of pain management can increase the liability where our insured would be involved in a claim along with other treating neurologists. The underwriter should discuss the volume of patients and practice time devoted to this activity. In addition, the treatment modalities should be discussed with PRMS risk management to determine standard of care. A neurologist utilizing anesthesia for pain management is not contemplated in the base rate and a surcharge of 25% should be applied once underwriting application has been approved.

Above average daily patient volume: An average daily patient volume of 25 is contemplated in the base rates. Any practice where the patient volume is greater should be considered as an increased risk and priced accordingly.

Adverse risk not contemplated in the base rate: This category should be used when the underwriter determines that the participant's exposure generates a risk not otherwise discussed in the above criteria and was not contemplated in the usual and customary definition of neurological professional services but meets underwriting approval for coverage. Use of this category requires management approval in all cases.

Rule 7. Group Accounts

Eligibility

The medical groups that will be considered for Coverage B of the policy will be professional corporations, partnerships, or associations owned and operated by neurologists.

Rates

Each neurologist insured will be rated in accordance with the individual program rules and rates.

Individual coverage for other healthcare professionals covered in a group policy will be rated as a factor of the mature claims made or occurrence rate of a neurologist (class code 80261) rate for that rating area.

Electroencephalogram Technician	.0046
Medical Assistant	.0046
Medical Therapist	.0046
Mental Health Counselor	.0318
Nurse Practitioner	.0405



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Nurse X-Ray Therapist	.0046
Nurse/Registered Nurse	.0046
Occupational Therapist	.0318
Physical Therapist	.0318
Neurologist Assistant	.0405
Psychologist	.0318
Speech Pathologist	.0046
X-Ray Technician	.0046
X-Ray Therapist	.0046

Vicarious liability coverage for the medical group for employed or contracted healthcare providers not insured under the policy will be priced at 10% of the otherwise applicable premium rate (including discounts).

Medical group premium will be priced based on the following:

<u>Number of Insured employees/contractors.</u>	<u>Percentage of Insured Neurologist Base Rate</u>
2-5	10%
6-10	15%
11-20	20%
over 20	25%

The sum of the individuals, medical group and vicarious liability premium will determine the total premium of the medical group.

Insureds can share the limit of liability of the medical group.

The base rate for each insured sharing the limit with the group entity will be reduced by 10% when the total number of insured neurologists in the group exceeds 5 on an annual basis.

The base rate for each insured sharing the limit with the group entity will be reduced by 5% when the total number of insured neurologists in the group is 5 or less on an annual basis.

A schedule rating credit/debit can then be applied to the total premium of the medical group in accordance with the Schedule Rating Group Rules, (see attached).

Limits of Liability

Refer to policy Limits of Liability Section, Coverage A and Coverage B for application of limits for individual insureds, medical corporations, partnerships, and associations. Refer to the rate schedule for the applicable limits for each state.



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Claims-Made

The retroactive date can be advanced only at the request or with the written acknowledgment of the insured.

Group Vicarious Liability Surcharge Endorsement

If a scheduled insured under the group policy terminates coverage and does not elect to purchase the extended reporting endorsement, the group premium will be surcharged 10% of the quoted ERP premium. The surcharge is applicable as a result of the vicarious liability exposure to the group for the professional services rendered by the insured while working on behalf of the group. The surcharge will be waived if the cancelled insured provides proof of prior acts coverage from the new carrier for the period insured under the group policy.

Outside Medical Group Practice Activity

Coverage will be considered for an insured that has a medical practice outside the scope of his/her affiliation with the medical group. The outside practice is subject to underwriting and if accepted will be rated in accordance with the medical specialty rate and total practice hours applicable to all practice activities for which coverage has been provided.

Rule 8.	Group Accounts – Schedule Rating
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Group Discount not to exceed a total of +/-5%

The following modifications may be applied to recognize special characteristics that are not fully recognized in the basic rate(s) or premium. The maximum credit/debit shall not exceed +/-5.

The schedule rating program is mandatory and to be administered consistently for each insured or prospective insured.

Management

Management has demonstrated adequate control and monitoring of the risks and exposures of the organization. The financial condition of the Medical Group is favorable. An example of a Medical Group which would receive a credit would employ a dedicated risk manager and have favorable financial ratios.

Employees

The applicant has established a continuing professional education program for its employees and encourages certification in their respective specialties. There must be a statement in the employee handbook advocating continuing education. The Medical Group agrees to pay all or some of the tuition fees and/or related educational expenses. Further, the composition of the Medical Group will be 50% or greater of the employee population having board certification or similar advanced degrees for a maximum credit to be granted. If the percentage is lower, but still substantial, and the other criteria described above are met, a lesser credit may be granted. If none of the above, a debit will be made.



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Risk Management

The applicant has an established and working risk management program to minimize the frequency and severity of claims. A Medical Group which has an incident reporting system, occurrence screening, and other mechanisms to address potential and actual claims would receive a maximum credit. If none of these mechanisms are in place, a debit will be made.

Medical Records/Informed Consent

The applicant has a system in effect for concurrent and retrospective review of medical records and informed consent documents. If the Medical Group has a medical records system only or an informed consent system only, no debit or credit is available. If both systems are in effect, a credit is available. If neither system is in effect, a debit will be made.

Performance of experimental procedures

If the medical group practice includes procedures that are considered experimental, but that are performed within the prescribed guidelines, controlled studies, or : "protocol" established by the manufacturer or similar entity, there will be no debit or credit, however if the experimental procedures are not subject to the protocol, a debit of up to 10% will be applied. Since the underlying program's rates reflect the assumption that insureds will not be performing experimental procedures, no credit will be given under any circumstances and under this category i.e. there will be no credit if experimental procedures are not utilized.

Rule 9.	Locum Tenens
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A Locum Tenens ("hold the place of") works in place of a Named Insured or Additional Named Insured, never at the same time. The Locum Tenens doctor must be underwritten in the same specialty classification as the Named Insured or Additional Named Insured. The program will allow Locum Tenens coverage for a maximum total of 45 days each policy year.

There is no charge for this coverage.

Rule 10.	Suspension of Insurance
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An insured may request suspension of insurance, due to disability or to accommodate a sabbatical leave of training. The insured will not be covered for claims or suits which arise based on an occurrence within the period of suspension. The insured is entitled to report claims during the period of suspension which arise from occurrences when the policy was in force and not on suspense.

Suspension may be secured for a minimum period of 90 consecutive days and for a maximum of one year. This option is allowed only once every four years except for reason of disability.



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Billing for the current quarter(s) is suppressed, and a refund for the quarter(s) or remainder of quarter(s) affected is made to the insured.

Charge 25% of the claims-made rate.

Rule 11.	Policy Minimum Premium
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A minimum annual premium of \$2000.00 will be applied for any one policy with limits of \$1,000,000/\$3,000,000 or lower.

A minimum annual premium of \$4000.00 will be applied for any one policy with limits of \$2,000,000/\$6,000,000.

Rule 12.	Loss Free Credit
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To qualify for the Loss Free Credit, the named insured must have been practicing at least five (5) years after completion of a residency or fellowship training program and cannot have any open claim(s) with an indemnity reserve more than \$25,000.

A ten percent credit is available if the Named Insured Neurologist has not had any claim(s) with more than \$10,000 of indemnity payments and loss adjustment expenses more than \$15,000 paid during the previous five (5) years.

A five percent credit is available if the Named Insured Neurologist has not had any claim(s) with more than \$10,000 of indemnity payments and loss adjustment expenses of \$15,001 to \$25,000 paid during the previous five (5) years.